



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 2** HLS 01A- 37

Bill Text Version: **ENROLLED**

Opp Chamb Action:

Sub Bill For:

Proposed Amd:

Date:	March 22, 2001	1:10 PM	Author:	DEWITT
Dept/Agy:	Public Safety			
Subject:	Gaming - Riverboat Dockside Gaming and Tax Rate Increase			Analyst: Greg Albrecht

GAMBLING/RIVERBOAT EN +\$62,600,000 SD RV See Note

Provides for gaming while riverboats are docked

Current law imposes total state fees on riverboat net gaming proceeds of 18.5%. This total is composed of a 15% franchise fee component deposited to the state general fund, and 3.5% component deposited to the Enforcement Fund. Proposed law mandates dockside status for all cruising boats (Lake Charles, Baton Rouge, New Orleans markets) and imposes an additional 3% franchise fee rate on these boats immediately. Boats in the Red River market will phase-in a 3% rate increase over a 2-year period (annual periods spanning April 1 to March 31). The Ballys boat in New Orleans will be subject to a tier of rate increases (0%, 2%, 3%) based on its monthly revenue (0\$ - \$6 million, \$6 - \$8 million, over \$8 million, respectively). A special fund (the Support Education in Louisiana First Fund, SELF Fund) is created to receive a portion of revenue collections from riverboat gaming activity. Monies can be appropriated from the fund for pre-K through 12 teacher salary increases (70%) and post-secondary faculty salary increases (30%). Effective upon governor's signature.

EXPENDITURES	2001-02	2002-03	2003-04	2004-05	2005-06	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2001-02	2002-03	2003-04	2004-05	2005-06	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$62,600,000	\$71,000,000	\$77,900,000	\$79,400,000	\$81,000,000	\$371,900,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$62,600,000	\$71,000,000	\$77,900,000	\$79,400,000	\$81,000,000	\$371,900,000

EXPENDITURE EXPLANATION

There is no anticipated direct effect on expenditures as a result of this measure.

REVENUE EXPLANATION:

The fiscal note assumes that permanent dockside operations for currently cruising boats will generate an average of 17.25% greater gaming activity than current cruising operations. This is based on research by Harrah's Entertainment and a university researcher from Kentucky.

The Lake Charles, Baton Rouge, and New Orleans markets have projected combined dockside gaming activity in FY02 of some \$927.7 million. The current fee rates generate an additional \$26.1 million from the expanded dockside gaming activity. In addition, a new 3% rate in these markets would generate an additional \$27.8 million. A 2% base growth projection is assumed for subsequent years. The rate preference for the Bally's boat will reduce collections by about \$1 million per year. The Red River market is expected to have total gaming activity (exclusive of the 14th licensed boat, Hollywood) of \$697.4 million in FY02. A 2% base growth projection is assumed for subsequent years. This market would pay an additional 1% rate through March 31, 2002, then an additional 2% rate through March 31, 2003, and an additional 3% rate from April 1, 2003. The additional rates imposed in that market in FY02 would generate an additional \$8.7 million in that year. Total new revenue generated is \$62.6 million in FY02 (exclusive of 14th boat effects). Revenue grows in subsequent years due to base growth and the phased-in rate increase in the Red River market.

The bill establishes the Support Education in Louisiana First Fund (SELF) to receive the additional monies generated by this bill. This is accomplished by establishing an allocation of the existing franchise fee rate (91% to the state general fund and 9% to the SELF fund), the existing enforcement rate (91% to the enforcement fund and 9% to the SELF fund) and, the additional fee rates imposed by the bill (100% to the SELF fund). These allocations result in the state general fund and the enforcement fund receiving their currently anticipated flows of revenue while depositing the additional revenue from this bill into the SELF fund.

The bill will affect the 14th boat recently opened in the Red River market (Hollywood boat). Impacts associated with the 14th boat are not included above because that boat is not yet included in the official revenue forecast. Speculating on its contribution to the SELF fund generates a possible additional \$1.8 million in FY02. This may grow to about \$4.6 million by FY04.

FY01 revenue gains to the SELF Fund may occur, as well. These gains are about \$14.9 million without the 14th boat, and \$15.2 million with it.

Senate	<u>Dual Referral Rules</u>	House	<i>H. Gordon Monk</i>
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	H. Gordon Monk
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year	STAFF DIRECTOR